

THE HONOLULU

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## Aloha!

Today is Wednesday,  
Aug. 17, 1983

### Hawaii

Governor defends his nomination of James Wakatsuki for Supreme Court

Page A-3

D.G. "Andy" Anderson is to be arraigned Aug. 26 on charges of violating building code at restaurant-retail complex

Page A-8

### The Nation

Coastal areas of Texas and Louisiana brace for Hurricane Alicia

Page F-1

### Washington

Pentagon and Environmental Protection Agency agree on procedures for cleanup of toxic chemical pollution in and around military installations

Page E-10

### The World

Chadian president rules out negotiations with rebels who hold northern part of nation

Page F-1

U.S. takes extraordinary step of apologizing to France for helping accused Nazi war criminal Klaus Barbie escape to South America three decades ago

Page A-10

### Editorial



Thomas Hayes: "Money spinning that fast obviously ... a very shaky financial situation."

# Very little is left for Rewald clients

By James Dooley  
Advertiser Staff Writer

"The money is gone," federal bankruptcy trustee Thomas Hayes said in court yesterday of some \$10 million to \$12 million entrusted by 400 investors to businessman Ronald R. Rewald.

After hearing more than a day's worth of testimony from Hayes, ex-Rewald employees and other witnesses, federal Senior District Judge Martin Pence continued a freeze on all of Rewald's personal assets.

Pence said the evidence showed a "very strong probability" that Rewald was operating a classic scam known as a "Ponzi scheme."

Rewald's attorney, Robert Smith, told Pence yesterday that Rewald wants to repay investors and is willing to turn over personal assets to do so. Pence termed the offer "an empty gesture."

Smith says efforts are continuing to get immunity from prosecution for Rewald if he agrees to help get the money back.

Testimony and financial records showed that Rewald's firm — Bishop, Baldwin, Re-

wald, Dillingham and Wong Inc. — while "guaranteeing" 20 percent interest on investments made with the firm, was really only using new investors' money to pay the interest to old investors when the "guaranteed" payments came due, Pence said.

In the meantime, all the principal — the millions of dollars of investment money deposited with Rewald's company — was being spent by insiders, principally Rewald himself, on personal expenses, Pence said.

"So long as the Ponzi scheme of paying the old investors out of new ones' funds continued, the company 'prospered' to the benefit of those on the inside," Pence said.

Hayes, who took control of the firm Aug. 4 after Rewald attempted suicide and the company foundered, had estimated in court Aug. 5 after a brief examination of company financial records that 300 investors were owed some \$17 million. That estimate was made after only one day on the job and on the basis of incomplete records.

He said yesterday he is not sure of the totals, but has iden-

tified 400 investors. He also said he believes the \$17 million figure represents principal plus accrued and projected interest earnings.

Hayes said he still is not sure exactly how much cash was entrusted to the firm, but had "a gut feeling" the total was some \$10 million to \$12 million.

He was not optimistic about recovering anything close to that amount for repayment to investors — the majority of them Hawaii residents, with a sizable minority from California, other states and some foreign countries.

Hayes said that he has control of corporate cash perhaps totaling \$200,000 and may be able to liquidate some furniture and fixtures from the company office in downtown Honolulu and from another office in Napa, Calif.

Bishop, Baldwin stock holdings in two companies here — the only investments Hayes could discover — "may not have any value at all," Hayes said. Both companies, Motorcars Hawaii Ltd. and Aspengren Travel Inc., have been losing

See Little on Page A-4